

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

PRIORITIES FOR FUTURE DATA COLLECTION AND
ANALYTICAL WORK RELATING TO PERIODIC
REPORTING

Docket No. RM2011-3

POSTAL SERVICE RESPONSE TO ORDER NO. 1829

In Order No. 1829, the Postal Regulatory Commission sought information from the Postal Service regarding the expected timetable for completing certain city carrier street time analyses.¹ The report attached hereto responds to that request.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Pricing & Product Support

Nabeel R. Cheema

475 L'Enfant Plaza, S.W.
Washington, D.C. 20260-1137
(202) 268-7178; Fax -5402
October 7, 2013

¹ Summary of Recent Research Activity and Inquiry Regarding Timetable for Completing Analyses and Applying Results, Order No. 1829, PRC Docket No. RM2011-3 (Sept. 5, 2013).

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON DC 20268-0001

Priorities for Future Data Collection and
Analytical Work Relating to Periodic Reporting

Docket No. RM2011-3

Postal Service Response to Order No. 1829

Introduction

In Order No. 1829, the Postal Regulatory Commission reviewed recent research by the Postal Service in the area of attributable costs and requested information about the Postal Service's expected timetable for completing certain city carrier street time analyses and applying them to the calculation of attributable costs. Specifically, the Commission requested:¹

[T]he Postal Service's input on whether it expects to complete its modeling of both regular delivery time and parcel/accountable time early enough in 2014 to be proposed as changes in analytical principles and incorporated in its Annual Compliance Report (ACR) for FY 2014. If the Postal Service does not expect to complete its modeling of parcel/accountable time early enough to ultimately be used in its FY 2014 ACR, the Commission seeks the Postal Service's views as to the benefits and drawbacks of incorporating an updated estimate of unit attributable delivery costs for letters and flats in its FY 2014 ACR, even if a corresponding update is not available for the unit attributable delivery costs of parcels and accountable

This response provides the requested information. It provides an expected timetable for estimation of both the regular delivery time variabilities and the parcel/accountable delivery time variabilities and discusses advantages and disadvantages of using just the regular delivery time variabilities to update letter and flat attributable costs.

¹ See, Docket No. RM2011-3, Order No. 1829, Summary of Recent Research Activity and Inquiry Regarding Timetable for Completing Analyses and Applying Results, at 5.

Regular Delivery Time Variabilities

The Postal Service has collected the data necessary for estimating the regular delivery equation. It is now in the process of completing the remaining steps required to use that data to update the city carrier street time attributable costs. The process includes constructing the needed characteristic variables, specifying the exact form of the equation to be estimated, selecting the appropriate econometric techniques and estimating the regular delivery equation. The Postal Service will then use that estimated equation to calculate the variabilities necessary for updating attributable regular delivery time costs for letters and flats.

Given the progress to date, the Postal Service anticipates that the remaining work could be done in time for the new letter and flat variabilities to be proposed as changes in analytical principles and incorporated into the FY 2014 Annual Compliance Report.

Parcel/Accountable Delivery Time Variabilities

The Postal Service is currently in the planning stages for a field study designed to collect the volume and time data required for updating and refining the equation used for estimating the parcel/accountable delivery time variabilities. The planning for the field study includes, inter alia, determining the method of data collection, identifying the variables to be measured, specifying the sample, establishing the data collection protocols and constructing the data review and compilation methods.

The Postal Service currently is planning to launch a beta test of the proposed parcel/accountable study in early calendar year 2014. This schedule will permit both proper planning and avoiding any distortions associated with the spike in parcel volume that occurs during the holiday season. The Postal Service then plans to review the beta data and processes in order to initiate the full study in spring 2014. Completion of the field study in spring 2014 should allow sufficient time for review and analysis of the data so that the new parcel/accountable delivery time equation and associated variabilities could be proposed as changes in analytical principles and incorporated in the 2014 Annual Compliance Report.

Advantages and Disadvantages of Using Just the Regular Delivery Time Variabilities

While the Postal Service anticipates having the new parcel/accountable analysis done in time for the 2014 Annual Compliance Report, it recognizes that field studies are not controlled experiments and are subject to delays caused by changing budget priorities, changes in operations, or other Postal Service initiatives. The Postal Service is therefore prepared to go forward with just the regular delivery time results if it becomes necessary.

The primary advantage of this split approach is that it permits updating the attributable costs for letter and flat products using recently collected data that reflect current operations. This improves the costing process and ensures that attributable costs for letter and flat products reflect current delivery methods and procedures. The primary disadvantage of this approach is that it will require mixing of more recent results for letters and flats with older results for parcels. Note that most products receive at

least some cost from the letter, flat, and parcel cost pools and their final attributable costs will be a mix of old and new methods.

Conclusion

Through a series of technical conferences and reports, the Postal Service has shared its progress in updating city carrier street time attributable costs. Not only has this kept the Commission and the postal community apprised of the Postal Service's methods and results, it has allowed the Postal Service to receive valuable feedback.

The Postal Service has made significant progress in the update and anticipates that it should be able to continue that progress with the goal of having new results done in time to be proposed as changes in analytical principles such that, given review by the Commission and the postal community, the results could be incorporated into the FY 2014 Annual Compliance Report.